

# EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A — No 3 — March 1986

## Recent economic trends

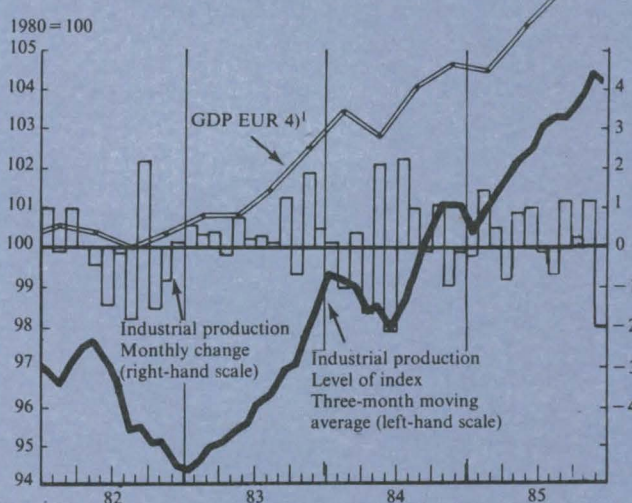
*In this number:  
The economic situation  
in the Community*

**Industrial production growing in 4th quarter.** — Total industrial production in the Community rose in the fourth quarter of 1985, continuing the rising trend through the year as a whole; the provisional figures for this quarter show a rise of 0,9% over the third quarter for EUR10. The quarterly increase was mainly accounted for by increases in Germany (1,0%), the Netherlands (2,0%), Denmark (2,3%) and the United Kingdom (0,6%). Over this period, industrial production in France was almost unchanged, whilst Italy experienced a fall of 0,7%. The latest figures for most countries, with the exception of the Netherlands and Ireland, show significant increases over the same month a year ago, with the EUR10 average increase being 2,5%. The monthly figures for individual countries show mostly large increases in November, (7,8% for the Netherlands, 3,7% for Italy, 2,2% for France, 1,2% for the United Kingdom) although for Germany, the figure is almost unchanged and Denmark and Greece suffered falls of 3,0% and 1,8% respectively. In December, industrial production dropped in most Member States, with the largest fall being 10,0% in the Netherlands. These monthly figures should, however, be treated with some caution. For example, the movements in the Netherlands monthly figures are accounted for mainly by large changes in energy production, which, even after seasonal adjustment reflect seasonal elements rather than underlying trends.

**Unemployment marginally higher in January.** — The seasonally adjusted rate of unemployment in EUR9 edged upwards in January to 11,1%, the level recorded in the three months prior to December. This was primarily due to a sharp rise in the monthly rate in France, where for technical reasons, the figures were under-recorded in December and artificially boosted in January. The seasonally adjusted month-to-month rate also increased in Germany in January after falls in earlier months. In the United Kingdom, January was the second consecutive month in which an increase in the numbers out of work was registered, bringing the level to 3,3 million. Unemployment rates in Belgium, Luxembourg, Italy, Ireland and Denmark showed some decrease on those recorded in December. For EUR12 the seasonally adjusted rate also rose, moving up to 11,7% (15,9 million) as the Spanish unemployment rate grew by 0,3 percentage point to 20,5% while the increase in the Portuguese rate was less pronounced. On a year-to-year basis the most marked fall in unemployment was seen in Denmark where the rate at the beginning of the year (7,6%) was substantially down on January 1985 (9,4%). Decreases in the year-to-year rate were also registered in Germany, France, Belgium, Luxembourg and the Netherlands while rises took place in the remaining Member States.

**Inflation eases.** — The index of consumer prices (EUR12) increased by 0,5% in January after the 0,3% rise in December. This faster increase in January was due to seasonal factors; the seasonally adjusted rate falling to 0,3% from the adjusted figure of 0,4% in December. The deceleration occurred despite a strong increase in Spain where the introduction of value added tax influenced the inflation rate. In a number of countries, Belgium, Denmark, Germany, Luxembourg and the Netherlands the index of consumer prices (s.a.) actually fell as energy price adjustments began to come through. The trend rate of inflation (seasonally adjusted annual rate over six months) was however marginally up, influenced by the rise in Spain, a continued increase in trend in Greece, and modest rises in Portugal and the United Kingdom, while the trend rate elsewhere continued to fall back. These contrasting movements meant that the degree of divergence in price changes within the Community (measured as the weighted standard deviation of inflation trends in each country) continued to widen. The index of consumer prices in

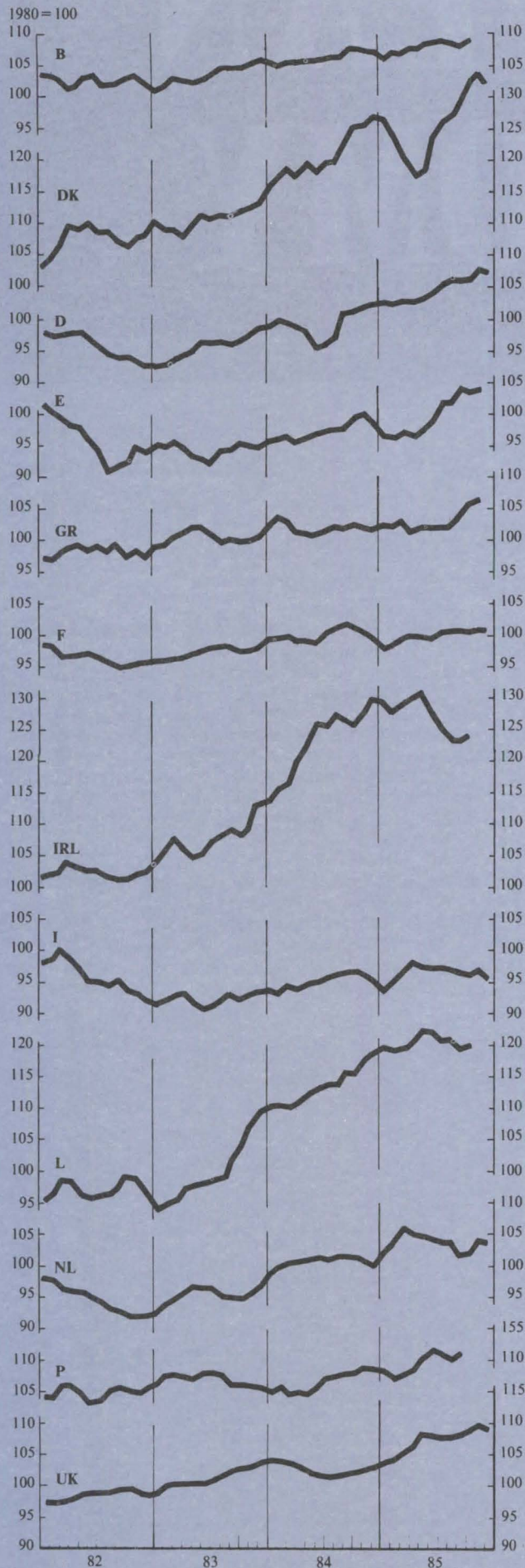
GRAPH 1: Industrial production and gross domestic product (s.a.) - EUR total



<sup>1</sup> France, Germany, Italy and UK: quarterly figures.

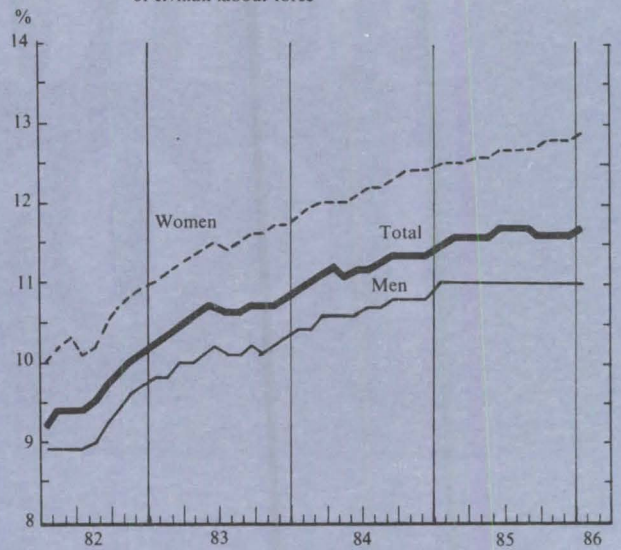


GRAPH 2: Industrial production (s.a.) (Three-month moving average)



GRAPH 3: Unemployment (s.a.), EUR 12

Number unemployed as % of civilian labour force



the Community in January was 5,3% higher than a year earlier with the change over twelve months ranging from 1,3% in Germany to 25% in Greece.

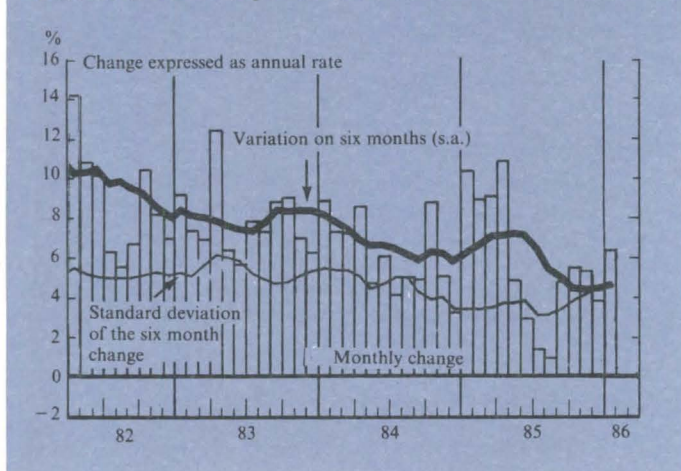
**Trade performance weakens.** — The improvement in the trade balance observed since last spring faltered in October. This movement was borne out by the November deficit of 1,311 million ECU (s.a.) for EUR10. The large deficit stems from a faster fall in exports (6,7%) than imports (5,4%). Meanwhile, the US trade deficit widened afresh while Japan experienced a sharp surge in its trade surplus. The worsening in the European trade account is primarily attributable to the widening trade gap of Italy and, to a lesser degree, of the UK. In the case of Italy, the last quarter of 1985 reverses progress registered during the previous quarter. The available data for December, however, suggests some improvement in the UK. The monthly figures for the other EUR10 countries remained roughly unchanged with Belgium, Denmark and Ireland operating close to balance. The decline in the Dutch trade surplus since last summer, continued. Germany registered large surpluses, on the basis of provisional figures in December and January. Spain and Portugal continued on the trend towards trade balance equilibrium, which began in the third quarter of 1985.

**Monetary growth moderate in November and more buoyant in December.** — As a Community average, money supply increased by 0,7% in November compared with 0,6% in October. Although average monetary growth remained virtually stable, the rate of money creation slowed down in seven Member States and accelerated in three others — France, Ireland and the United Kingdom, where the 2% increase in Sterling M3 in one month is the main reason for the average rate of monetary growth in the Community remaining virtually stable in November. In December, the figures available show that money creation accelerated in Denmark, Greece, Spain, Italy and Portugal, while it slowed down in the United Kingdom and was negative in Ireland. In Denmark, where M2 increased by 6,5% in December alone, the sharp rise in bank deposits pushed up the special deposits with the national bank on which the monetary authorities reduced the rate of return. In Germany, monetary growth increased, chiefly because of large inflows of capital. Spain, where liquid assets held by the public (ALP) increased by 1,1% in December, recorded a 12,8% increase in this aggregate compared with December 1984, which brings it to the middle of its target range for 1985 (+11,5% to +14,5%). For 1986 the target range was set at 9,5% to 12,5%. In Greece, as a result of the October measures, the increase in M3 over the whole of 1985 was limited to 26,8% compared with 29,4% in 1984.

**Short-term interest rates remain stable on average.** — In February, the Community average for short-term interest rates stayed at the same level as in January, i.e. 10,1%. In general, movements in the Member States were small. The cost of short-term



GRAPH 4: Consumer prices EUR 12

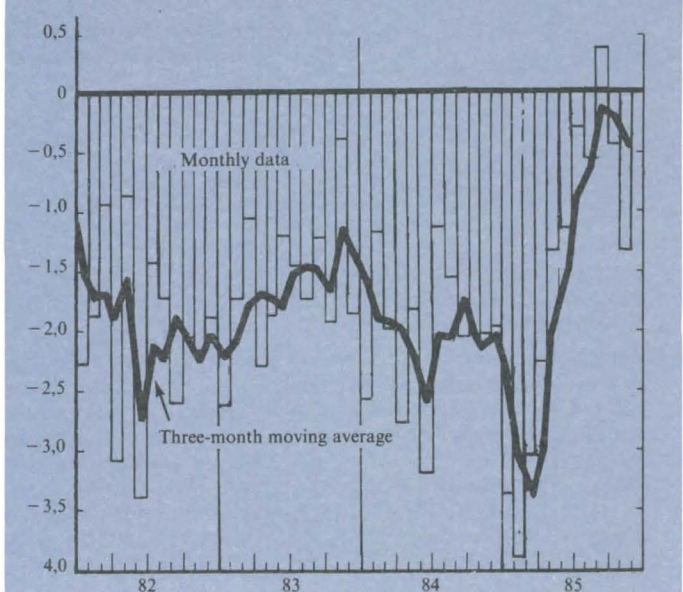


money fell slightly in Belgium, Denmark, Germany and France, where the issuing institution reduced its intervention rate by a quarter of a percentage point. In the United Kingdom, the rate eased slightly more (six-tenths of a point) but at the end of February was still higher than at the end of December. In Spain and the Netherlands, rates remained stable. But the cost of short-term money rose significantly in three Member States; in Greece it climbed by 1,5 percentage points to 20,5%; in Ireland the three-month interbank rate, after rising sharply in January, gained another half point in February to stand at 15,6%; in Italy, the restrictive measures introduced in January continued to influence the money market and the interbank rate rose from 15,7% at the end of January to 16,5% at the end of February. The Community average for long-term interest rates in January was 10,3%, slightly down on December. Denmark, because of political uncertainties, Ireland and the United Kingdom were the only countries to record a slight increase in the yield on long-term public sector securities.

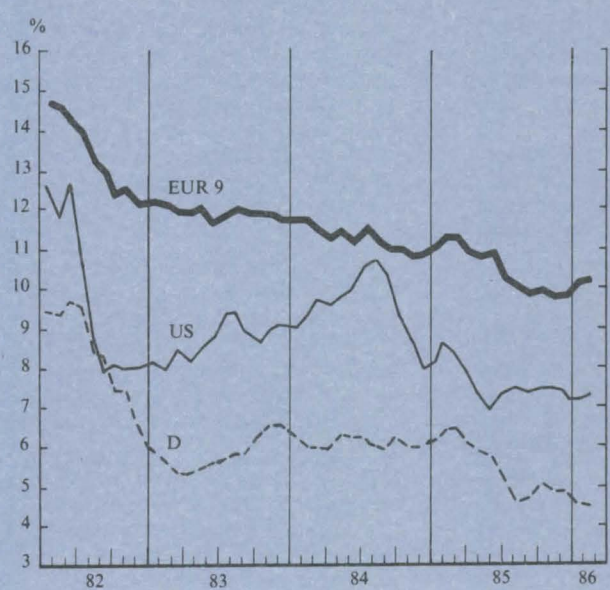
**The ECU advances substantially against the dollar.** — In February the ECU gained further ground against the dollar, appreciating by a monthly average of slightly over 4% against the United States currency. During the same period, the ECU was clearly falling against the yen (by some 4%), so that the Japanese currency considerably strengthened its position against the dollar. In mid-February the foreign exchange markets displayed extreme nervousness because of the uncertainty maintained by a series of contradictory statements from Japanese and United States officials. Within the EMS exchange rate mechanism, the mark was the strongest currency and the French franc, the Italian lira and the Dutch guilder stayed at the top of their bilateral bands. The Belgian franc and the Irish pound stayed close to their lower limits while the Danish krone remained in the bottom half of its band. Tensions within the EMS were limited in the first three weeks of February but became more acute as the month drew to a close; central banks intervened to support the Belgian franc, the French franc, the Irish pound and the Italian lira. Outside the exchange rate mechanism sterling again depreciated against the ECU (losing an average of 3,7% for the month) while the escudo weakened by 0,6% and the peseta remained stable.

17 March 1986

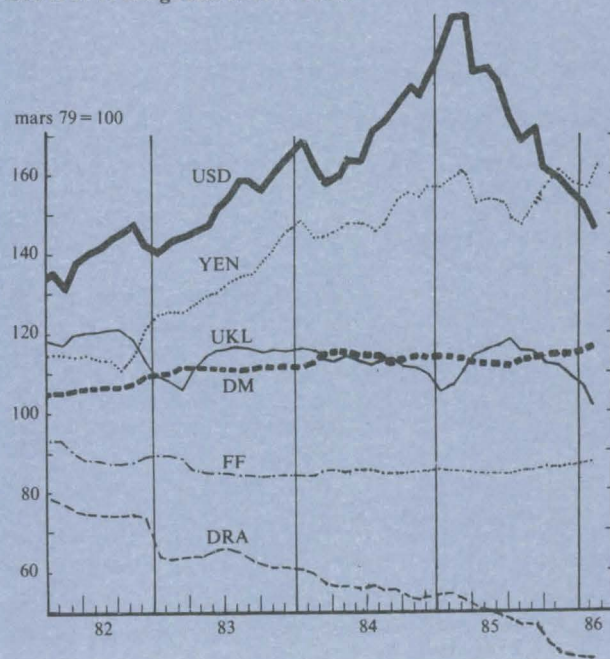
GRAPH 5: Trade balance (s.a.) EUR10



GRAPH 6: Short-term interest rates



GRAPH 7: Long-term interest rates



## THE ECONOMIC SITUATION IN THE COMMUNITY<sup>1</sup>

(Communication from the Commission to the Council  
in accordance with Article 2 of the Convergence Decision  
of 18 February 1974)

### I. Introduction

1. This Communication is transmitted to the Council in accordance with the Council Decision of 18 February 1974,<sup>2</sup> which requires the Council to examine the Community's economic situation in the first quarter of each year and to adjust the economic policy guidelines for the current year as required by economic developments.
2. This examination is the first to cover also the economic situation in Spain and Portugal, which joined the Community on 1 January 1986. In the enlarged Community the problem of convergence becomes a more urgent preoccupation. It will be appropriate in particular to verify to what extent the economic policies followed in these two countries fit into the cooperative growth and employment strategy approved by the Council when it adopted the 1985-86 Annual Economic Report.<sup>3</sup>
3. The macroeconomic forecasts which underlie the arguments developed in the present Communication have become more uncertain than usual due to the substantial changes in oil prices. Some forward, often speculative quotes are already markedly below the price of 20 dollars par barrel<sup>4</sup> taken as a working hypothesis for the average price of supplies to the Community in 1986. Given the situation on the oil market, it has become extremely difficult to foresee what the trend will be in the coming months. If prices should fall substantially below 20 dollars, the nature of economic policy problems would change significantly and would necessitate a reexamination of the main lines of economic policy set out in the present Communication.
4. Likewise, the dollar exchange rate depreciation has become more pronounced: the macroeconomic forecasts for 1986 were drawn up on the basis of an exchange rate of 1.08 ECU per dollar, but, at the moment when this communication was drafted, the dollar rate was already below the assumption taken. On the other hand the yen has scarcely appreciated against the ECU in 1985 and no signs of such a development have emerged up to now.
5. For these reasons, there is a large margin of uncertainty in the forecasts which are presently available and it would be premature to formulate detailed recommendations. This is why the present communication concentrates on the essential aspects of the changed economic conditions and raises, in particular, a number of questions on the implications for the implementation of the cooperative growth strategy for more employment.

### II. Economic situation and outlook for 1986

#### a) *The sudden fall in oil prices*

6. Since December 1985, disturbances which have appeared on the world market in petroleum products have led to a sharp fall in prices. The market is far from stability and this makes any forecast concerning its future development very speculative.
7. On the basis of the working hypothesis taken, the main primary effect for the Community, of a fall in oil prices of 26%, combined with the effects of the depreciation of the American currency (nearly 18% year-on-year) reducing the price of crude oil expressed in ECUs by around 40%, consists of a fall of 8% in the Community's merchandise import

price index and a reduction in the oil bill by an amount equivalent to 1% of GDP.<sup>5</sup>

Secondary beneficial effects can be expected; a more moderate rise in consumer prices, a reduction in interest rates which should follow the fall in prices, an accelerated growth in production resulting, in particular, from a stronger expansion in households' expenditure but also from additional investment. The employment situation should also improve somewhat.

Because of their differing energy production and trading structures, the impact of the fall in oil prices varies quite appreciably from one country to another. In the Community, the United Kingdom and the Netherlands, which are oil and natural gas producers, will see a fall in their net export earnings on energy products. On the other hand, those Community countries which are the most reliant on imports of oil should benefit more than the rest from the reduction in their oil bill (see Table 2).

8. At the world level, when account is taken of the reaction of quantities traded to changes in prices, the fall in the oil price brings about, in 1986, a transfer of more than 60,000 million dollars from exporters (net) to oil importers (see Table 1).

The main beneficiaries are the industrialised countries (with a gain of more than 46,000 million dollars); for the Community (of 12) the oil bill could fall by around 16,000 million dollars in 1986.<sup>6</sup> The non-oil exporting developing countries, in particular Brazil, can also expect a positive effect on their external account and the fall in interest rates will alleviate external debt charges which are often high.

As far as producing countries are concerned, the Gulf states are very specialised in oil exports but they have at their disposal very considerable foreign exchange reserves and external assets. Others will be obliged to cut back on imports: while some other countries, as in the Mexican case, which have already been experiencing difficulties in servicing their external debt, will have to have recourse to increased external financing.

The overall impact of the fall in oil prices on world trade can be considered to be positive. Indeed it can be expected that the behaviour of net importers and net exporters will be asymmetrical. In the former group the terms of trade gain will stimulate internal demand and production and then imports of non-oil products, while in the latter countries the adjustment in import levels will be carried out with some delay.

All in all, world GDP and world trade should be higher. The fall in oil prices will also promote a deceleration in inflation and a reduction in interest rates.

It should be noted here that the price of 20 dollars per barrel is only a working hypothesis which is of a highly uncertain nature. Having regard to the reduction in energy intensity and the relative share of oil in energy consumption, as well as the loss in market share which OPEC has borne, the oil price could remain at a relatively low level in the near future. Experts, however, agree that in the longer term prices should recover.

#### b) *The depreciation of the dollar and the development in world trade*

9. On the basis of observations at the end of 1985 and the beginning of 1986, the depreciation of the dollar against the

<sup>1</sup> COM(86) 114 final. Brussels, 4 March 1986.

<sup>2</sup> Article 2 of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community.

<sup>3</sup> Council Decision of 20 December 1985.

<sup>4</sup> At this level the real (corrected for inflation) price of crude oil expressed in ECUs is about the same as that before the second oil crisis.

<sup>5</sup> For the Community of ten. For the Community of twelve the effect is slightly higher (1.1 % of GDP).

<sup>6</sup> Expressed in ECU, the oil bill of EC 12 should decline from 85,500 million in 1985 to 52,200 million in 1986; the fall of 33,300 million ECU (1.1 % of GDP) composed of 20,700 million ECU from the fall in oil prices, 14,200 million ECU from the depreciation of the dollar and a positive quantity effect of 1,600 million ECU due to a small increase in quantities imported.

ECU is likely to be more pronounced, on average, in 1986 than had been supposed in the forecasts of last October. For the majority of Community countries this results in an additional loss of market share, the more so since, according to the hypothesis taken, the yen scarcely appreciates against the ECU.

The growth in world trade will be stronger than in 1985 (a year for which previous estimates have been revised downwards), but the geographic composition of Community exports appears relatively unfavourable having regard to the breakdown of the effects of the fall in oil prices and of the situation with respect to external indebtedness. Indeed, in comparison with world trade as a whole, Community exports to third countries are relatively more directed to OPEC countries, which are reducing their imports in 1986, and to the other developing countries as well as Eastern bloc countries where import capacity remain very limited in 1986.

Like oil prices, great uncertainty surrounds the future trend in the dollar exchange rate; an additional depreciation would make the growth of Community exports all the more difficult.

### c) *The economic outlook for the Community in 1986*

10. The restraining effect on Community exports will, however, be more than offset by the sharper growth in domestic demand, particularly private consumer demand but also investment. The expected strengthening of consumption is principally due to the fact that the growth in nominal incomes is related to an expectation of stronger rises in prices than those which are likely to emerge. Real income of households will therefore grow faster than expected last October.

Although the increased competition on external markets will prompt firms to reduce export prices expressed in national currency, profit margins should remain quite stable in most member countries; in addition the outlook for declining long-term interest rates should stimulate business investment.

According to the business survey carried out in October-November 1985, that is before the 'oil effect' could be felt, investment intentions in industry were favourable. They indicated an increase of 7% in real terms in 1986 when experience of the past suggests that these figures are generally revised upwards, as was the case last year. The stimulating effect resulting from the improvement in the economic outlook will be an additional factor.

11. As the effect on the Community's domestic demand resulting principally from the fall in oil prices appears to be more vigorous than the dampening impact on exports exerted by the depreciation of the dollar, it can be expected that Gross National Product of the Community will grow faster than was anticipated in the latest Annual Economic Report and that it is likely to reach a rate close to 3%.

This greater buoyancy will have a favourable impact on employment and the rate of unemployment for the Community (of 10) could, in annual average terms, be 10.9% in 1986 instead of 11.2% in 1985.<sup>1</sup> If account is taken of the unemployment statistics for Spain and Portugal the rate could be higher<sup>2</sup> on account of the numbers out of work in Spain which represent 22% of the labour force.<sup>3</sup> Although reflecting a slight improvement on 1985, these figures remain quite unsatisfactory.

12. Due to the fall in oil prices and the appreciation of the ECU, the price deflator for private consumption will show a smaller increase (3.3%) than that expected last October (3.9%) and the 5.3% registered in 1985.<sup>4</sup> Except in Italy and Ireland, where rates of growth of consumer prices of 5.7% and 3.8% are expected, inflation will be between 0.5% and 3% in countries participating in the EMS exchange rate mechanism. Two-digit rates of inflation will only be observed in Greece (22.5%)<sup>5</sup> and Portugal (15%).

On account of favourable developments in the terms of trade and despite a worsening at constant prices, the Community's balance on current account will record a higher surplus than in 1985; the great majority of member countries will also show a surplus.

### III. The economic policies of the Member States

13. An evaluation of economic policies followed in recent months shows contrasting developments: some relaxation appears to be indicated by movements in monetary indicators while in the budgetary field an improvement in the financial position of some countries goes hand in hand with continuing difficulties in others.

14. In the *monetary* field, developments up to the end of 1985 show that, except in the Federal Republic of Germany, aggregates have tended to exceed their planned target ranges. However, this development appears to be temporary and is difficult to appraise due to financial innovation. The steady fall in interest rates follows movements on international markets, but is due also to the prospect of a decline in inflation rates. However, the sharp depreciation of the dollar has created some strains within the EMS which in several countries have been reflected in the level of interest rates. The fall in oil prices has depressed the sterling exchange rate and exerted upward pressure on interest rates in the United Kingdom.

15. The information available concerning implementation of the 1985 *budgets* and the budgetary outlook for 1986 indicate that, while consolidation is proceeding (particularly in Denmark, Germany and France), in other member countries control of public spending in 1985 has been less tight than expected, thus contributing to the delay in the improvement of the budgetary situation. Such is the case particularly in Belgium, Ireland and Italy.

In two member countries, the *Netherlands* and the *United Kingdom*, the fall in oil prices will provoke directly a marked worsening in the budgetary outlook. In the former country, the outturn on the general government budget has been very encouraging in 1985, the borrowing requirement<sup>6</sup> was 0.5% of GDP less than had been forecast. This trend would have continued in 1986, reducing the net borrowing requirement to below 6.5% of GDP. As a result of the loss of revenue from natural gas, however, and in the absence of offsetting measures, the deficit could well rise to 7% of GDP.

In the *United Kingdom*, the shortfall in public revenue attributable to the fall in the oil price could be equivalent to some 1% of GDP in a full year. Given the medium-term target for the public sector borrowing requirement, the scope for tax cuts during the next financial year (1986-87) seems very limited.

16. The general thrust of economic policy in *Spain* for 1986 is essentially in line with the 'cooperative strategy' advocated in the Annual Report as a means of reducing unemployment in the medium term. Abstracting from the temporary disturbance caused by the introduction of VAT, Spain intends to maintain strict monetary control and, in so doing, encourage a continuation of the fundamental disinflation process under way in the economy.

Under the economic and social agreement reached in October 1984 between the unions, the employers and the Government, the objective of labour costs moderation will continue to be pursued in 1986 so as to improve business profitability and underpin the revival in investment. The same goes for the efforts to increase market adaptability.

On the budgetary front, the emphasis, having regard to the accumulated disequilibria of the past, continues to be placed on gradually reducing the weight of the public sector in the economy and the public deficit in particular, by way of improved management of expenditure and measures to combat tax evasion.

The adjustment effort accomplished in *Portugal* since 1983 has made for a considerable improvement in its external

<sup>1</sup> According to Eurostat definitions

<sup>2</sup> The Spanish and Portuguese statistics are not harmonised, the calculation of an overall EC-12 rate is not yet possible.

<sup>3</sup> National statistics

<sup>4</sup> EC-10

<sup>5</sup> The 22.5% figure is an annual average for 1986, it is compatible with the objective in the stabilisation plan of an end-year inflation rate of 15%.

<sup>6</sup> On a cash basis, general government.



position. Although marked progress had been accomplished in reducing inflation, the rate set as an objective for 1986 (14%) remains however high, particularly since the falling price of oil on world markets is only partially alleviating the external constraint. The room for manoeuvre secured to date remains all the more limited given that the borrowing needs of general government have increased considerably more rapidly than foreseen in 1985, to reach nearly 12% of GDP (on a national accounts basis). Thus only a limited catching up in the purchasing power of individuals and a cautious boost to public investment can be contemplated in 1986. A different policy might jeopardise the attainment of the medium-term target for public finance reform and damage the spontaneous trends towards an improvement in the propensity to invest that now seems to be emerging.

In the monetary field, a policy of a continual devaluation of the escudo and a fall in the real exchange rate has only been partially and temporarily effective in improving the external position, and has contributed strongly to fuelling inflation. The suspension of the crawling peg arrangement in December 1985 until April 1986, as well as the exchange rate policy recently announced, reinforce the present prospects for disinflation.

#### IV. Implementation of the growth and employment strategy in the light of forecasts for 1986

17. The Commission proposed to the Council, as part of the Annual Economic Report 1985-86, that a strategy be followed for raising the trend rate of growth of the Community, from the 2.5% currently forecast to 3-3.5% per annum and for making growth more employment-creating. Although the realisation of this strategy should be seen in a medium-term context, it is necessary to examine to what extent developments during the first year call for a modification of the strategy or for adjustments in its application.

For this purpose we need to look at the strategy's three key components of action aimed at a substantial reduction in unemployment in the context of an improved social dialogue:

- the pursuit of a moderate increase in real wages in order to improve the return on investment and to make the relative rewards to capital and labour more conducive to raising employment;
- the use of available margins of manoeuvre to give, as required, adequate support to total demand, ensuring favourable prospects for investment;
- the continuation of efforts at the microeconomic level aimed at increasing the adaptability of markets.

18. As far as the last point is concerned, new measures have been taken recently in a number of countries to *promote employment, reduce unemployment* by specific measures and *improve the adaptability of markets*.

In addition, the outlook for 1986 provides some clear pointers to the trend of demand. In the large majority of Member States, demand will be vigorous enough to secure an accelerated expansion in output. In some countries nevertheless (Greece, Ireland and Portugal for example) budgetary or balance of payment constraints are such that growth cannot be stepped up appreciably without generating strains.

The essential problem, however, is to gauge if the structure of the foreseeable trend in demand can be considered as satisfactory. Consumption is progressing at an accelerated rate but investment may be insufficient to increase and improve the capital stock and employment.

During the first oil crisis of 1973-1974 the worsening in the terms of trade operated essentially to the detriment of firms' balance sheets, bringing about a sharp fall in profitability which, judging from trends up to the beginning of the 1980's, depressed the level of investment. It would be regrettable, in the opposite situation, if attempts were not made to reverse this trend. So long as the unemployment rate remains unacceptably high therefore, a moderate increase in real wages provided for by the cooperative growth strategy for more employment continues to be necessary to stimulate employ-

ment-creating investment. It is necessary, consequently, to ensure that the improvement in the terms of trade stemming from the fall in oil prices serves, to the maximum possible extent, to develop this investment.

Given the short spell of time which has elapsed since the adoption in December 1985 by the Council of the Annual Economic Report, and taking into account the uncertainties surrounding the forecasts for 1986, it would be premature to wish to verify, on the basis of precise figures by country, if the evolution of strategic variables is genuinely leading towards faster medium-term growth which is creating more jobs.

A more detailed answer can probably be given in July when the Council undertakes the next examination of the economic situation in the Community. In the meantime, it would be useful for governments and the social partners to examine the following questions:

- Has social dialogue been embarked upon in the Member States with the necessary resolve, with a view to applying the cooperative growth strategy for more employment?
- Does the foreseeable development of consumers' real incomes and of the structure of demand correspond, in all Member States, to the common objective of promoting employment-creating investment?
- How should economic policy react, in particular in those member countries where the decline in oil prices causes a loss of wealth in the economy?
- Is the margin for manoeuvre for economic policy being exploited correctly in those countries where it exists or is increasing?
- Is sufficient headway being made in the adjustment of public finance in the countries where the deficit is particularly high?

19. It should be noted that the foreseeable trend of prices, payments balances and budgets in 1986 is providing most Member States with greater margin for manoeuvre in economic policy.

On the *monetary front*, maintaining a constant expansion of monetary aggregates means that, in the event of a slowdown in inflation, as at present, 'real monetary headroom' expands automatically, facilitating stronger expansion of the economy in volume terms. Thus interest rates could be kept on a downward course, reflecting the weakening of inflationary expectations and contributing to an orderly adjustment of exchange-rate relationships at the international level.

On the *budgetary front*, the effects of disinflation and of faster growth in domestic demand are expected to be beneficial in the medium term, paving the way for a reduction in the budget deficit once the loss of VAT revenue from petroleum products has been absorbed.

In several Member States, however, the room for manoeuvre has, if anything, narrowed, or is still small. In the United Kingdom, the fall in oil prices is having an adverse effect on the budget, the balance of payments, the exchange rate and interest rates. In Italy, Belgium and Ireland, the conditions of equilibrium are improving, but the budgetary position will remain difficult. Greece will have to press ahead with its recovery programme.

The trends in costs and prices expected for 1986 are favourable for *convergence* within the group of countries participating in the EMS exchange rate mechanism. For other countries, on the other hand, movements, although undoubtedly on a temporary basis, are in the opposite direction. Apart from the convergence of price and cost developments and the reestablishment of external and internal balance, the problem arises of reconciling living standards in the Community, an issue which has been heightened by the successive enlargements and which will require more attention.

20. *The international aspects of the cooperative strategy.* In the Annual Economic Report 1985-86, the Council, together with the Commission, noted that the cooperative growth strategy 'will be even more effective if it can rely on international cooperation'.

TABLE 1: Primary impact of the fall in oil prices at the world level 1986/1985: Net imports

	In millions of barrels/day			in '000 million dollars		
	1985	1986	Annual growth 1986/85	1985	1986	Difference 1986/85
<b>Exporting countries</b>						
— OPEC	15,2	16,2	+ 6,5 %	151,1	118,3	- 33,2
— Non-oil developing countries (a)	3,7	3,5	- 5,4 %	36,9	25,6	- 11,3
— Industrialised countries (b)	1,6	1,5	- 6,2 %	15,9	10,9	- 5,0
— Eastern bloc and rest of the world	3,9	3,7	- 5,1 %	38,9	27,0	- 11,9
<b>Total</b>						- 61,4
<b>Importing countries</b>						
— Industrialised countries	- 18,2	- 18,6	+ 2,2 %	- 181,4	- 135,8	+ 45,6
— Non-oil exporting countries (c)	- 4,8	- 5,0	+ 4,2 %	- 47,8	- 36,5	+ 11,3
— Rest of the world	- 1,6	- 1,6	0 %	- 15,9	- 11,7	+ 4,2
<b>Total</b>						+ 61,1

(a) Bahrain, Bolivia, The Cameroons, China, Congo, Ecuador, Egypt, Gabon, Malaysia, Mexico, Peru, Syria, Trinidad, Tunisia

(b) Net exporting industrialised countries: United Kingdom, Norway

(c) All other developing countries except OPEC and those mentioned in (a)

Source: Commission services, I.M.F., (World Economic Outlook, April 1985)

Hypothesis: cif price of crude oil in 1985: + \$ 27 per barrel

cif price of crude oil in 1986: \$ 20 per barrel

TABLE 2: Oil bill as a % of GDP\*  
(Net imports of oil and petroleum products)

	1972	1973	1974	1978	1979	1980	1985	1986	Difference 1986-85
USA	0,3	0,5	1,6	1,9	2,4	2,8	1,1	0,8	- 0,3
JAP	1,5	1,6	4,5	2,6	3,8	5,5	3,2	1,8	- 1,4
EUR12	:	:	:	:	2,8	3,6	2,6	1,5	- 1,1
E	:	:	:	:	3,4	5,2	3,7	2,3	- 1,4
P	:	:	:	:	5,7	7,5	9,3	5,5	- 3,8
EUR10	1,3	1,5	3,7	2,4	2,8	3,4	2,4	1,4	- 1,0
BLEU	1,9	1,4	4,2	2,5	4,2	3,8	3,9	2,2	- 1,7
DK	2,1	2,3	4,7	3,2	4,1	4,8	3,0	1,7	- 1,3
D	1,1	1,5	3,0	2,3	3,2	3,9	3,4	1,9	- 1,5
GR	1,6	1,3	4,0	3,4	3,9	4,0	5,6	4,0	- 1,6
F	1,3	1,3	3,7	2,4	2,8	4,1	3,0	1,7	- 1,3
IRL	2,3	2,4	6,6	5,0	6,3	7,4	4,9	2,7	- 2,2
I	1,4	1,6	4,7	3,4	3,7	5,1	4,2	2,4	- 1,8
NL	1,1	0,8	2,1	1,9	2,9	3,8	2,3	1,3	- 1,0
UK	1,5	1,8	4,6	1,4	0,5	0,0	- 1,8	- 1,1	+ 0,7

\* Oil price hypothesis 1985: \$27,3 per barrel  
1986: \$20,0 per barrel

Exchange rate hypothesis: = 1986 average \$1 = 1,08 ECU = 185 Yen

GDP hypothesis 1985 and 1986 from October 1985 Economic Budgets

Although the position taken by the Group of Five last September, which marks a departure from the 'laissez-faire' attitude adopted previously with regard to exchange-rate movements, and the ensuing correction in exchange-rate relationships between the major currencies are to be welcomed, the outlook remains uncertain. Indeed, the international adjustment process relating to the balance of payments and to the 'fundamentals' is far from complete and its achievement involves many risks. Thus, for example, a too pronounced depreciation of the dollar relative to its average level in 1985 could come about if the outlook for growth in the stock of external debt were not to improve, thereby provoking problems of confidence. This could lead to a tightening of monetary policy and subsequently to a recession in the United States. In addition, the revised forecasts suggest that the current account surplus of Japan will continue to grow substantially in 1986 while domestic demand will remain relatively subdued, and since no significant change is foreseen in the ECU/yen rate.

The decisions taken up to the present are insufficient either to compensate adequately for the negative effects likely to emerge from the adjustment of the US economy, or to create the conditions whereby heavily indebted developing countries can bring their external payments back into equilibrium and reduce their external debt burden without having to make exorbitant sacrifices.

During the forthcoming Tokyo Summit at the beginning of May, a further reappraisal of the economic and financial

environment would be desirable leading to measures which could mitigate existing or threatening imbalances.

## V. Summary and Conclusions

- On the whole, the changes observed recently in the world economy (trade expansion, exchange rates, oil prices, interest rates) are strengthening economic growth in the industrialised countries and in the Community. At the same time, the prospects for the Community achieving internal and external equilibrium are much brighter.
- In 1986, the growth rate profile in the Community will come close to that deemed desirable in the growth and employment strategy. In spite of the increase in real income attributable to the new external context, it is none the less advisable to press ahead with the cooperative strategy as initially prescribed and set out in the Annual Economic Report 1985-86. This will reinforce the propensity to invest, thereby guaranteeing economic growth in the medium term necessary to bring down unemployment, which, despite the improvement in economic conditions, remains at an unacceptable level.
- Faster growth in the Community will influence world trade favourably. Yet, for its strategy to succeed, the Community will have to look for increased international cooperation to reduce existing imbalances resulting, in particular, from the budget and external deficits of the United States, the lag in

TABLE 3: Main economic indicators for the European community, United States and Japan (provisional forecasts for 1986)

TAB. 3.1: Gross domestic product (at constant prices, % change on preceding year, EUR, USA, Japan, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	3.2	-1.3	1.1	0.4	1.3	1.6	2.0
DK	2.3	-0.9	3.0	2.0	3.5	2.6	3.1
D	2.8	0.1	-0.9	0.9	2.6	2.6	3.7
GR	4.7	-0.3	-0.1	0.3	2.6	1.8	-0.3
E	3.7	0.4	0.9	2.1	2.3	1.9	2.7
F	3.6	0.2	2.0	1.0	1.6	1.1	2.6
IRL	4.1	2.9	1.9	0.6	4.4	2.1	3.1
I	3.1	0.2	-0.4	-1.2	2.6	2.3	2.9
L	3.1	-1.8	-1.1	-2.2	4.9	2.0	1.8
NL	3.4	-0.7	-1.7	0.6	1.7	2.2	1.7
P	4.8	0.4	3.5	-0.3	-1.7	3.0	3.3
UK	1.9	-1.1	1.9	3.3	1.8	3.0	2.4
EUR 10	2.9	-0.2	0.5	1.0	2.1	2.2	2.8
EUR 12	3.0	-0.1	0.6	1.1	2.1	2.2	2.8
USA	2.8	1.9	-2.5	3.4	6.6	2.4	3.2
JAP	4.8	1.3	4.1	3.2	6.1	4.3	3.4

TAB. 3.2: Private consumption (at constant prices, % change on preceding year, EUR, USA, Japan, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	3.7	-1.2	0.7	-0.9	0.8	0.5	2.0
DK	1.3	-2.3	1.5	1.7	2.7	2.9	3.8
D	3.6	-0.2	-1.4	1.1	0.6	1.7	4.8
GR	4.4	1.1	2.0	0.6	2.1	1.4	-1.6
E	4.0	-0.9	0.7	0.7	-0.8	1.2	2.8
F	4.2	2.1	3.2	0.7	0.7	1.8	2.6
IRL	4.1	2.1	-4.9	-3.5	-0.5	1.5	2.6
I	3.0	0.8	0.2	-0.6	1.8	2.0	3.0
L	4.0	1.7	-1.6	-1.4	0.6	1.7	2.3
NL	3.5	-2.5	-1.3	-0.2	-0.5	2.0	3.0
P	3.6	0.0	2.0	-1.0	-3.0	0.7	3.0
UK	2.1	0.0	1.0	4.2	1.6	2.6	3.4
EUR 10	3.3	0.4	0.6	1.1	1.0	2.0	3.3
EUR 12	3.4	0.3	0.6	1.0	0.8	1.9	3.8
USA	3.2	2.7	1.3	4.8	4.4	3.3	2.8
JAP	4.9	0.8	4.2	3.3	2.8	2.7	3.3

TAB. 3.3: Deflator of private consumption (% change on preceding year, EUR, USA, Japan, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	7.1	8.5	7.5	7.0	6.1	4.9	1.5
DK	10.2	12.0	11.0	7.2	6.4	4.7	1.2
D	5.2	6.0	4.8	2.9	2.5	2.0	0.8
GR	13.4	23.2	21.1	19.5	18.1	19.5	22.5
E	15.2	15.1	14.2	12.2	11.0	8.7	8.5
F	9.4	12.8	11.2	9.4	7.3	5.8	2.9
IRL	13.9	19.5	16.0	9.7	8.5	5.4	3.8
I	14.6	19.2	17.1	14.9	11.1	9.4	5.7
L	6.7	7.7	9.7	8.4	6.3	4.1	2.0
NL	7.7	6.3	5.4	2.9	2.6	2.3	0.4
P	16.7	19.5	22.5	25.5	29.3	19.6	15.0
UK	13.3	11.2	8.3	5.1	4.8	4.8	4.3
EUR 10	9.7	11.7	9.8	7.6	6.2	5.3	3.3
EUR 12	10.6	12.1	10.5	8.4	6.9	5.8	4.0
USA	7.3	9.2	5.7	3.9	4.1	3.1	4.4
JAP	8.6	4.8	2.8	1.6	2.1	1.8	0.7

TAB. 3.4: Number of unemployed as % of the civilian labour force (EUR, USA, Japan, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	5.7	11.1	13.0	14.3	14.6	13.7	13.4
DK	3.6	8.9	9.5	10.2	10.0	8.9	7.8
D	2.6	4.7	6.8	8.4	8.4	8.4	7.7
GR	—	—	—	7.9	8.1	8.2	9.1
E	—	—	—	17.9	20.7	22.2	22.2
F	3.6	7.8	8.8	9.0	9.9	10.3	10.1
IRL	7.2	10.2	12.2	14.9	16.1	17.2	17.4
I	5.9	7.9	9.6	10.8	12.9	13.4	13.8
L	0.3	1.0	1.3	1.5	1.7	1.6	1.4
NL	3.3	8.8	11.7	14.0	14.2	13.1	12.3
P	—	—	—	10.2	10.5	10.2	9.5
UK	4.1	9.2	10.6	11.5	11.8	12.0	11.8
EUR 9	4.0	7.6	9.2	10.3	11.0	11.2	10.9
USA	6.4	7.6	9.7	9.6	7.5	7.2	6.7
JAP	1.8	2.2	2.4	2.7	2.7	2.6	2.8

SOEC definition, except for Greece, Spain and Portugal where national definition figures are shown

TAB. 3.5: Balance on current account as % of GDP (EUR, USA, Japan, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	0.0	-4.5	-3.5	-0.7	-0.2	0.8	2.1
DK	-3.0	-3.0	-4.1	-2.3	-3.1	-4.4	-3.2
D	0.7	-0.8	0.6	0.7	1.0	2.1	2.1
GR	-2.8	-0.2	-3.9	-4.7	-4.0	-6.1	-3.0
E	-0.9	-2.4	-2.3	-1.4	2.2	2.7	3.4
F	-0.4	-1.4	-3.0	-1.7	-0.7	-0.5	0.2
IRL	-4.9	-15.1	-10.9	-6.3	-5.1	-3.0	-1.0
I	-0.3	-2.3	-1.6	0.2	-0.9	-1.2	-0.1
L	22.5	28.1	35.3	29.0	31.9	30.8	29.3
NL	1.1	2.1	2.8	2.9	4.1	4.4	3.9
P	—	—	—	-7.2	-2.1	0.4	-0.5
UK	-0.8	2.7	1.7	1.0	0.4	1.1	0.3
EUR 10	-0.2	-0.5	-0.6	0.1	0.1	0.5	0.8
EUR 12	—	—	—	-0.1	0.2	0.6	0.9
USA	0.0	0.2	-0.2	-1.0	-2.8	-2.8	-3.1
JAP	0.7	0.5	0.6	1.8	3.0	3.8	5.0

National accounts definition

TAB. 3.6: General government lending or borrowing (-) as % of GDP (EUR, USA, Japan 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	-4.9	-12.6	-11.1	-11.7	-9.8	-9.4	-9.2
DK	-1.0	-7.1	-9.3	-7.3	-4.2	-1.9	1.3
D	-1.7	-3.9	-3.4	-2.5	-1.9	-1.1	-0.6
GR	-4.6	-10.6	-9.4	-8.9	-9.9	-12.9	-9.6
E	-0.6	-3.0	-5.8	-5.4	-4.8	(-5.0)	(-4.5)
F	-0.5	-1.8	-2.5	-3.2	-2.8	-2.9	-2.7
IRL	-9.1	-15.8	-14.2	-11.8	-10.1	-11.7	-10.4
I	-8.7	-11.7	-12.7	-12.4	-13.5	-14.1	-12.8
L	2.0	-2.3	-1.3	-0.8	0.8	1.3	1.3
NL	-1.6	-5.2	-7.1	-6.5	-6.3	-5.7	-5.5
P	-3.4	-9.5	-9.0	-7.1	(-7.7)	(-12.0)	(-11.0)
UK	-3.3	-2.7	-2.4	-3.7	-4.1	-3.5	-3.1
EUR 10	-3.2	-5.4	-5.6	-5.5	-5.5	-5.2	-4.6
USA	-1.0	-0.9	-3.8	-4.1	-3.2	-3.5	—
JAP	-4.5	-4.1	-3.6	-3.5	-2.7	-1.7	-1.0

expansion in domestic demand in Japan and the growing indebtedness of the developing countries.

24. The validity of these conclusions depends to a large extent on the assumptions made in this Communication regarding the future price of crude oil. If this fell substantially below 20 dollars per barrel, production conditions and trends in energy conservation and towards oil substitution could be significantly modified. In these circumstances it would be fit to examine the subject of if, and how, additional measures,

involving among other things changes in taxation, would permit the best use of such an opportunity to promote the objectives of the Community as they are set out in the energy field as well as for growth and employment.<sup>1</sup> In this context, aspects relating to the environment should also be taken into account.

<sup>1</sup> Cf. Annual Economic Report 1985-1986, point III, 1.2, page 62.



TABLE 3: Main economic indicators for the European Community, United States and Japan (provisional forecasts for 1986)

TAB. 3.7: Money supply M2/M3 (% change at end of year on twelve months earlier, EUR, USA, Japan, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	10.3	10.0	7.5	7.0	6.1	5.7	5.2
DK	11.7	9.1	11.4	25.5	17.0	11.2	7.3
D	10.0	5.0	7.1	5.3	4.7	5.0	5.2
GR	23.8	34.7	29.0	20.3	29.4	26.1	19.5
E	20.4	17.0	16.6	15.0	13.2	12.8	—
F	14.8	10.4	10.8	11.2	8.3	6.8	6.0
IRL	18.4	17.4	13.0	5.6	10.1	6.6	8.5
I	19.5	15.9	17.2	13.2	12.1	10.9	10.0
L	—	—	—	—	—	—	—
NL	10.8	5.3	7.6	10.5	7.7	7.9	5.9
P	22.1	23.8	24.6	16.3	24.5	23.9	—
UK	14.5	13.7	8.9	10.3	9.6	13.5	9.4
EUR 10	13.8	10.9	10.7	9.7	8.7	8.8	7.4
USA	10.0	10.0	8.9	12.0	8.4	8.1	—
JAP	16.9	11.0	7.9	7.3	7.8	2.0	—

F, NL, P, USA: M2; D, GR, IRL: M3; B, DK: M2H; UK: Sterling M3 (fiscal year); E: ALP;  
I: M3 (71-82), M2 (83-86); JAP: M2 et CD

TAB. 3.8: Gross fixed capital formation (at constant price prices, % change on preceding year, EUR, USA, Japan, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	2.2	-16.3	-0.9	-6.4	1.1	3.9	5.7
DK	-0.8	-19.2	5.4	3.2	12.5	13.9	10.9
D	1.4	-4.2	-4.7	3.0	0.8	-0.8	5.9
GR	2.8	-7.8	-1.5	-1.4	-4.7	1.3	-4.0
E	2.0	1.2	-2.5	-3.6	-3.0	6.1	6.0
F	2.9	-1.6	-0.6	-1.4	-1.9	-0.3	3.6
IRL	5.9	8.0	-6.2	-7.9	-1.8	2.0	2.9
I	1.1	0.6	-5.2	-5.3	4.1	3.8	6.3
L	2.8	-13.3	-2.2	-5.4	-1.4	1.7	2.5
NL	0.2	-10.5	-4.2	0.4	4.3	2.4	2.6
P	7.3	4.6	2.9	-7.5	-18.0	-6.9	8.5
UK	0.4	-8.5	6.7	4.2	8.2	1.2	2.4
EUR 10	1.5	-4.6	-1.6	0.0	2.3	1.1	4.5
EUR 12	1.6	-4.0	-1.3	-0.2	1.4	1.4	4.7
USA	2.4	1.1	-6.6	9.7	17.6	7.4	6.7
JAP	3.5	3.6	1.8	0.2	4.5	4.8	5.3

TAB. 3.9: Compensation of employees per head deflated by private consumption prices (% change on preceding year, EUR, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	4.5	-0.7	0.4	-0.3	0.6	0.7	1.5
DK	1.2	-2.5	0.5	-0.7	-1.3	-0.5	1.6
D	3.1	-0.8	-0.5	0.8	0.7	1.1	3.3
GR	4.3	1.3	5.0	0.2	2.8	0.0	-7.4
E	4.8	2.0	-0.5	1.0	-0.7	-0.1	0.5
F	4.0	1.2	2.6	1.4	0.0	0.4	0.6
IRL	4.2	-2.1	-1.4	0.7	1.0	1.6	2.1
I	3.4	2.3	-0.1	1.0	0.9	0.8	2.6
L	3.7	0.1	-2.6	-1.7	0.8	0.1	2.4
NL	2.9	-2.5	0.3	0.5	-1.9	-1.0	1.9
P	4.8	1.2	1.2	—	-8.0	1.8	1.7
UK	2.4	2.1	0.5	3.5	0.7	3.1	2.9
EUR 10	2.7	0.8	0.7	1.0	0.4	1.0	2.1
EUR 12	3.3	0.6	0.5	—	0.3	1.0	2.0

TABL. 3.11: Total employment, (% change on preceding year, EUR, USA, Japan 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	0.3	-2.1	-1.3	-1.6	0.2	0.7	0.1
DK	0.7	-1.3	0.3	0.5	2.4	2.4	2.1
D	-0.1	-0.8	-1.8	-1.7	0.1	0.8	1.4
GR	0.6	0.1	-1.3	-1.0	-0.2	0.9	-0.2
E	-0.8	-3.4	-1.2	-0.9	-3.0	-1.3	0.5
F	0.5	-0.7	0.1	-0.6	-1.0	-0.4	0.0
IRL	0.9	-0.9	0.2	-2.0	-0.9	-0.4	0.7
I	0.5	0.5	-0.1	0.1	0.4	0.2	0.3
L	1.2	-0.6	0.0	-0.3	0.3	0.5	0.5
NL	0.2	-1.5	-2.5	-2.0	-0.5	0.8	0.7
P	1.6	-0.1	1.1	1.1	-1.3	-0.2	0.3
UK	0.2	-3.9	-1.4	-0.8	1.5	0.9	0.7
EUR 10	0.3	-1.3	-1.4	-0.5	0.3	0.5	0.6
EUR 12	0.2	-1.5	-0.9	-0.8	-0.1	0.3	0.6
USA	2.0	1.1	-0.9	1.3	4.1	3.4	—
JAP	0.7	0.7	0.9	1.0	1.5	—	—

TAB. 3.10: Compensation of employees per head deflated by GDP prices (% change on preceding year, EUR, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	4.5	2.3	0.7	0.8	1.1	0.1	-0.8
DK	1.6	-0.8	0.2	-1.6	-0.6	-0.7	0.2
D	3.0	1.1	-0.3	0.5	1.3	0.9	1.7
GR	4.0	4.6	2.1	-0.1	1.2	-0.2	-5.4
E	4.8	3.3	0.0	1.4	-1.0	-0.1	-1.0
F	3.9	1.9	1.4	1.0	0.2	0.0	0.5
IRL	4.3	-0.1	-0.7	-0.1	2.8	0.5	-0.1
I	3.3	3.0	-0.8	0.9	1.3	0.9	0.6
L	4.3	-0.1	-1.5	-1.8	0.1	-0.3	0.4
NL	3.0	-1.8	-0.4	1.5	-1.9	-0.8	1.8
P	5.4	3.8	1.7	—	-5.2	0.0	-1.8
UK	1.8	1.6	1.6	3.5	1.3	2.3	3.2
EUR 10	2.2	1.8	0.5	0.8	0.9	0.8	1.3
EUR 12	3.2	1.6	0.4	—	0.6	0.7	1.1

TABL. 3.12: Labour productivity per occupied person (% change on preceding year, EUR, 1971-1986)

	1971/80	1981	1982	1983	1984	1985	1986
B	2.9	0.8	2.4	2.0	1.0	1.1	1.7
DK	1.6	0.4	2.7	1.5	1.1	0.1	1.1
D	2.9	0.9	0.9	2.6	2.7	2.1	2.2
GR	4.1	-0.4	1.2	1.3	3.0	0.9	-0.1
E	4.6	4.0	2.1	3.0	5.5	3.2	2.2
F	3.1	0.9	1.9	1.6	2.4	1.6	1.9
IRL	3.1	3.8	1.7	2.7	5.3	2.5	2.8
I	2.6	-0.3	-0.3	-1.3	2.1	2.2	2.8
L	1.9	-1.2	-1.1	-1.9	4.8	1.7	1.3
NL	3.2	0.8	0.8	2.7	2.3	1.4	0.9
P	3.2	0.5	2.3	-1.4	-0.5	3.2	3.0
UK	1.7	2.9	3.3	4.1	0.2	2.1	1.6
EUR 10	2.6	1.1	1.9	1.5	1.9	1.8	2.0
EUR 12	2.8	1.3	1.5	1.9	2.2	1.9	2.2

TABLE A.1: Industrial production (a) — Percentage change on preceding period (s.a.)

	1984					1985					1985					Change over 12 months % (b)		
	1981	1982	1983	1984	1985	IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.		Nov.	Dec.
B	-2.7	0	2.0	2.5	(2.1)	-0.5	0.1	1.3	-0.2	:	4.6	-4.0	-1.5	5.0	-1.6	:	:	4.2
DK	0	2.7	3.2	9.7	4.4	5.1	-5.8	2.8	5.0	2.3	-2.8	1.9	2.0	1.8	3.4	-3.0	-2.9	4.3
D	-1.9	-2.9	0.6	3.0	5.8	1.5	0.4	1.2	1.9	1.0	1.6	2.2	-3.0	0.5	2.9	0.3	-4.0	3.6
GR	-0.6	-4.2	-0.7	3.5	(3.1)	0	-1.4	1.8	5.3	:	-2.0	6.2	-3.7	3.2	-0.9	-1.8	:	3.8
E	-2.4	-1.2	2.6	0.7	:	0.1	1.5	-1.3	2.1	:	-3.7	5.8	-1.1	-1.4	:	:	:	2.6
F	-2.3	-1.5	0.8	2.3	0.8	-2.0	-0.8	0.5	1.5	0.2	-0.8	2.3	0	-2.2	1.5	2.2	-3.6	3.6
IRL	2.2	0.3	6.5	12.9	(2.1)	5.7	-0.3	-1.4	-3.4	:	-3.7	-2.2	0.8	1.3	0.2	:	:	-0.8
I	-1.6	-3.0	-3.2	3.4	1.2	-1.8	1.8	0.3	-0.7	-0.7	2.8	-3.8	0.4	2.2	-3.3	3.7	-4.1	3.5
L	-5.7	0.9	5.4	13.3	(5.5)	3.1	0.5	2.4	-2.5	:	3.5	-2.1	-1.7	-1.0	4.1	:	:	7.0
NL	-2.0	-4.1	2.1	5.2	3.0	-2.0	7.4	-2.8	-2.2	2.0	1.9	-4.7	3.0	-3.8	2.0	7.8	-10.0	-0.9
P	0.5	4.6	1.6	-0.1	:	0.7	-1.5	4.4	-0.6	:	-1.4	-0.7	-0.2	2.8	:	:	:	6.1
UK	-3.4	1.9	3.6	1.3	4.8	1.0	2.8	1.8	0.2	0.6	-0.9	0.1	0.5	1.1	0.4	1.2	-2.3	4.2
EUR 10	-2.3	-1.5	0.9	2.9	(3.4)	0.4	0.6	0.9	0.6	(0.9)	1.0	0.1	-0.4	0.4	0.7	(1.1)	(-2.0)	(2.5)
USA	2.1	-7.4	7.8	12.4	2.5	0.1	0.3	0.4	0.8	(0.3)	0.1	0.2	1.0	(-0.4)	(-0.4)	(0.7)	(0.8)	(-2.8)
JAP	1.0	0.3	3.6	11.1	(4.6)	2.7	-0.7	2.7	-0.1	(-0.7)	-2.0	1.7	-1.3	-1.1	1.0	-1.1	(-0.2)	(1.7)

TABLE A.2: Unemployment rate — Number of unemployed as percentage of civilian labour force (s.a.)

	1981	1982	1983	1984	1985	1984				1985				1985				Change over 12 months % (b)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
B (f)	11.1	13.0	14.3	14.4	13.4	14.4	14.4	13.7	13.0	12.7	13.1	13.0	12.9	12.8	12.6	12.7	12.6	:
DK	8.9	9.5	10.2	9.8	(8.7)	9.4	9.4	8.8	(8.6)	(7.9)	9.0	8.5	8.3	(8.1)	(7.9)	(7.8)	(7.6)	(-16.4)
D	4.8	6.9	8.4	8.4	8.5	8.2	8.5	8.5	8.5	8.4	8.5	8.5	8.5	8.5	8.4	8.3	8.4	-1.1
GR	1.2	1.4	1.6	1.9	2.2	2.1	2.2	2.2	2.2	2.4	2.2	2.2	2.3	2.3	2.3	2.6	2.8	35.6
E	12.1	14.3	16.6	18.6	19.9	19.3	19.6	20.0	19.9	20.3	19.9	19.8	19.9	20.0	20.6	20.2	20.5	6.9
F	7.7	8.7	8.8	9.9	10.3	10.4	10.5	10.4	10.4	10.2	10.4	10.5	10.3	10.3	10.3	10.1	10.3	-1.9
IRL	10.2	12.2	14.9	16.5	17.6	16.7	17.2	17.4	17.9	17.7	17.8	18.0	17.9	17.6	17.6	17.9	17.6	2.7
I	8.0	9.7	10.9	11.9	12.9	12.1	12.4	12.8	13.0	13.2	12.9	12.9	13.0	13.2	13.3	13.3	13.2	6.0
L	1.0	1.3	1.6	1.7	1.6	1.6	1.6	1.7	1.6	1.5	1.6	1.6	1.6	1.5	1.5	1.5	1.5	-7.6
NL (f)	8.8	11.8	14.3	14.5	13.2	13.8	13.5	13.2	13.1	12.7	13.1	13.2	13.0	12.8	12.7	12.6	12.6	:
P	5.8	5.7	5.6	6.7	7.7	7.2	7.3	7.6	7.9	8.0	7.8	7.9	7.9	7.9	8.0	8.0	8.1	11.2
UK	(9.2)	(10.6)	(11.6)	11.8	12.1	11.9	12.0	12.2	12.2	12.1	12.2	12.2	12.1	12.1	12.0	12.1	12.2	2.0
EUR 12	(7.8)	(9.4)	(10.6)	11.2	(11.6)	11.4	11.6	11.6	11.6	(11.6)	11.7	11.7	11.6	(11.6)	(11.6)	(11.6)	(11.7)	(1.6)
USA	7.6	9.7	9.6	7.5	:	7.2	7.3	7.3	7.1	:	7.3	7.0	7.1	7.1	7.0	:	:	-0.7
JAP (g)	2.2	2.4	2.7	2.7	:	2.7	2.5	2.5	2.6	:	2.6	2.6	2.7	2.8	2.9	:	:	6.2

TABLE A.3: Consumer price index — Percentage change on preceding period

	1981	1982	1983	1984	1985	1984				1985				1985				Change over 12 months % (b)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
B	7.6	8.7	7.7	6.4	4.9	0.9	1.8	1.3	0.7	0.2	0.5	0	0.2	-0.1	0.2	0	0.1	3.5
DK	11.7	10.1	6.9	6.3	4.7	1.4	1.3	1.5	-0.1	0.8	-0.4	-0.1	0.5	0.3	0.4	-0.1	(-0.3)	(2.8)
D	6.3	5.3	3.3	2.4	2.2	0.7	1.1	0.6	-0.2	0.3	-0.2	-0.3	0.2	0.2	0.2	0.1	0.2	1.3
GR	24.5	21.0	20.5	18.3	19.4	5.5	4.5	4.5	2.6	9.7	-0.7	0.3	5.0	3.3	2.5	3.3	2.3	25.0
E	14.6	14.4	12.2	11.3	8.8	1.5	3.2	1.9	1.0	1.9	0.6	0.2	1.1	0.4	0.8	0.4	2.8	9.2
F	13.4	11.8	9.6	7.3	5.9	1.4	1.4	1.8	0.9	0.6	0.4	0.1	0.1	0.3	0.2	0.1	0.1	4.2
IRL (h)	20.4	17.2	10.4	8.6	5.4	0.7	1.9	1.3	1.5	0.2	(0.5)	(0.5)	(0.1)	(0.1)	(0.1)	:	:	4.9
I	17.8	16.5	14.7	10.8	(9.2)	2.4	2.9	2.4	1.2	2.2	0.2	0.3	0.5	1.0	0.8	0.6	(0.5)	(8.2)
L	8.1	9.4	8.7	5.6	4.2	1.1	1.0	1.6	0.5	0.9	0.5	-0.4	0	0.8	0.2	0.2	-0.2	3.6
NL	6.7	5.7	2.7	3.2	(2.3)	1.1	0.2	1.0	0	0.6	-0.2	0	0.5	0.3	0	-0.2	-0.4	1.5
P	20.0	22.7	25.1	28.1	19.6	3.1	8.0	3.4	1.1	3.0	0.3	0.8	0.1	1.0	1.6	1.7	1.9	14.2
UK	11.9	8.6	4.6	-5.0	6.1	1.2	1.3	3.4	0.3	0.5	-0.2	0.3	-0.1	0.2	0.3	0.1	0.2	5.5
EUR 12	12.1	10.7	8.6	7.4	(6.1)	1.5	1.8	1.8	0.6	1.1	0.1	0.1	0.4	0.4	0.4	0.3	(0.5)	(5.3)
USA	10.3	6.2	3.2	4.3	3.6	0.7	0.7	1.2	0.7	0.9	0.2	0.2	0.3	0.3	0.3	0.2	0.3	3.8
JAP	4.9	2.7	1.9	2.2	2.1	1.2	0.1	0.9	0	1.0	0.1	-1.0	1.0	1.4	-1.0	0	(0.3)	(1.5)

TABLE A.4: Visible trade balance— fob/cif, million ECU (s.a.)

	1981	1982	1983	1984	1985	1984				1985				1985				Change over 12 months % (c)
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
B/L	-5418	-3082	-2435	-4897	:	-1306	-1501	-581	-714	:	-93	-191	-247	-276	-375	-108	:	321
DK	-1475	-1866	-740	-1108	-1546	-204	-494	-306	-279	-479	69	-155	-106	-18	-218	-67	-194	-215
D	11239	21599	18501	24136	32963	8377	6589	8631	8742	9384	2799	3276	2421	3046	3246	2969	(3169)	(909)
GR	-3951	-5826	-5800	-6048	:	-2073	-1727	-2341	-1621	:	-890	-467	-590	-565	-513	-558	:	-181
E	-10531	-11202	-10545	-6730	:	-1803	-2146	-2335	-1821	:	-845	-289	-698	-834	-434	:	:	251
F	-17283	-24457	-15628	-13428	-13130	-2736	-3810	-3028	-3535	-3040	-511	-1471	-993	-1070	-1029	-916	-1095	-529
IRL	-2467	-1574	-621	81	413	-32	195	56	138	14	136	20	78	40	-46	(94)	(-34)	(-100)
I	-13554	-12513	8516	-13849	:	-5148	-5505	-5911	-1589	:	-2102	-738	-609	-241	-842	-1930	:	800
NL	1320	3500	4499	4740	:	1419	492	1234	944	:	383	470	219	255	189	183	:	-377
P	-5308	-5963	-4226	-3430	:	-806	-627	-718	-588	:	-265	-179	-204	-205	-105	:	:	62
UK	-445	-3295	-9681	-14005	-11540	-3930	-4514	-2272	-2493	-2493	-960	-943	-778	-772	-709	-1084	-700	565
EUR 10 (j)	-32033	-27515	-20422	-24080	:	-6016	-10258	-4681	-509	:	-1144	-224	-679	394	-425	-1311	:	690
USA	-35538	-43518	-77969	156288	:	-38116	-47958	-52238	-45831	:	-18302	-13612	-12410	-19809	-13683	-16059	:	2359
JAP	7832	7034	23072	42599	(60552)	14810	13114	14354	14625	(17955)	5254	4790	5132	4753	4888	6877	(6190)	(786)

TABLE A.5: Money Stock (k) — Percentage change on preceding period (s.a.)

		1984					1985					1985						1986	Change over 12 months % (b)
		1981	1982	1983	1984	1985	IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
<b>B</b>	(M2)	5.8	5.7	8.7	5.7	:	0.2	3.2	1.1	0.8	:	:	:	:	:	:	:	:	5.4
<b>DK</b>	(M2)	9.6	11.5	25.5	17.8	15.8	6.2	0.1	4.1	4.2	6.7	1.2	2.0	1.0	0.2	0	6.5	-1.3	14.6
<b>D</b>	(M3)	5.0	7.1	5.3	4.7	5.0	1.4	1.2	1.3	0.6	2.0	0	0.3	0.3	0.5	0.3	1.2	0.6	5.4
<b>GR</b>	(M3)	34.7	29.0	20.3	29.4	(26.8)	8.9	5.7	7.9	6.1	(5.9)	2.2	2.3	1.4	(1.7)	(0.9)	(3.2)	:	(26.8)
<b>E</b>	(ALP)	17.0	16.6	15.9	13.2	12.8	3.1	4.0	4.1	1.8	2.7	0.2	0.5	1.2	0.9	0.7	1.1	:	12.8
<b>F</b>	(M2R)	10.4	10.8	11.2	8.3	:	2.6	1.3	1.4	(2.5)	:	-0.1	1.0	1.6	(0.3)	(0.6)	:	:	(8.6)
<b>IRL</b>	(M3)	17.4	13.0	5.6	10.1	5.3	2.3	1.4	1.0	1.6	1.3	0	1.6	-0.1	0.8	1.0	-0.5	1.7	7.7
<b>I</b>	(M2)	9.9	16.9	13.3	12.1	(10.9)	2.6	4.7	3.0	3.3	(1.5)	1.1	1.2	1.0	0.6	0.3	(0.6)	:	(10.9)
<b>NL</b>	(M2)	5.3	7.6	10.4	7.7	:	1.0	3.7	-0.4	1.9	:	0.4	1.1	0.3	1.5	1.0	:	:	7.7
<b>P</b>	(L)	23.8	23.9	16.1	23.9	(28.8)	6.0	6.1	5.6	(9.0)	(5.4)	(2.5)	(3.1)	(3.2)	(1.8)	(1.4)	(2.1)	:	(28.8)
<b>UK</b>	(LM3)	13.7	8.9	10.3	9.8	15.6	3.0	2.2	5.8	2.9	3.4	-0.7	1.9	1.8	0.8	2.0	0.6	0.1	14.0
<b>EUR 12</b>	(i)	10.5	11.3	10.8	9.5	:	2.5	2.6	(2.7)	(2.3)	:	(0.2)	(1.0)	(1.1)	(0.6)	(0.7)	:	:	(9.4)
<b>USA</b>	(M2)	10.0	9.4	11.7	8.2	8.1	2.7	2.4	1.8	2.2	1.4	0.7	0.9	0.6	0.2	0.6	0.6	:	8.1
<b>JAP</b>	(M2)	11.0	7.9	7.3	7.8	:	0.8	3.5	1.4	1.0	:	-0.3	0.7	0.5	0.8	1.2	:	:	8.9



TABLE A.6: Short-term interest rates (m)

	1981	1982	1983	1984	1985	1984		1985			1985					1986		Change over 12 months %(e)
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
B	15.6	14.1	10.5	11.5	9.6	10.7	10.7	8.9	9.4	9.8	9.6	9.4	8.9	8.6	9.8	9.8	9.7	-1.0
DK	14.9	16.4	12.1	11.5	10.0	12.0	12.0	10.3	9.4	9.5	9.3	9.4	10.0	9.3	9.5	9.0	8.7	-0.5
D	12.3	8.8	5.8	6.0	5.4	5.8	6.3	5.7	4.7	4.8	4.6	4.7	5.0	4.8	4.8	4.6	4.5	-1.7
GR	16.8	20.2	19.4	15.7	17.1	16.8	19.3	16.6	16.5	17.9	17.9	16.5	17.3	19.5	17.9	19.0	20.5	5.0
E	16.2	16.3	20.1	14.9	12.2	12.2	12.1	14.2	11.5	10.5	13.4	11.5	10.4	10.5	10.5	10.6	10.6	-1.6
F	15.6	14.6	12.5	11.7	9.9	10.8	10.7	10.2	9.5	9.1	9.7	9.5	9.3	8.8	9.1	8.9	8.7	-2.1
IRL	16.6	17.5	14.1	13.3	11.9	15.0	13.9	11.6	10.1	11.7	10.3	10.1	10.1	10.4	11.7	15.1	15.6	1.0
I	20.0	20.1	18.1	17.2	15.1	17.0	15.6	15.1	14.1	14.9	14.2	14.1	14.8	14.6	14.9	15.7	16.5	0.3
NL	11.8	8.3	5.7	6.1	6.4	5.7	6.9	6.7	5.8	5.8	5.7	5.8	6.2	5.9	5.8	5.8	5.8	-1.3
P	16.0	16.8	20.9	22.5	21.0	22.5	21.7	21.4	22.2	18.6	19.4	22.2	20.8	18.8	18.6	18.6	:	-2.1
UK	14.2	12.2	10.1	10.1	12.3	10.0	13.2	12.6	11.5	11.9	11.7	11.5	11.6	11.6	11.9	12.9	12.3	-1.6
EUR 12 (n)	15.2	13.8	12.0	11.2	10.5	10.7	11.2	10.8	9.8	9.9	10.0	9.8	9.9	9.7	9.9	10.1	(10.1)	(-1.2)
USA	14.0	10.6	8.7	9.5	7.0	7.8	8.2	6.8	7.3	7.2	7.4	7.3	7.4	7.4	7.2	7.2	7.3	-1.2
JAP	7.4	6.9	6.4	6.1	6.6	6.3	6.3	6.3	6.4	7.7	6.4	6.4	7.8	7.9	7.7	6.1	5.9	-0.4

TABLE A.7: Long-term interest rates (o)

						1984		1985		1985							1986	Change over 12 months %(e)
	1981	1982	1983	1984	1985													
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.		
B	13.8	13.5	11.8	12.0	10.6	11.6	11.5	10.3	10.4	9.6	10.5	10.5	10.4	9.7	9.4	9.6	9.6	-2.0
DK	19.3	20.5	14.4	14.0	11.6	14.0	13.0	11.8	11.1	9.9	10.6	10.5	11.1	10.7	10.5	9.9	10.3	-3.0
D	10.4	9.0	7.9	7.8	6.9	7.0	7.6	6.9	6.3	6.5	6.7	6.4	6.3	6.5	6.6	6.5	6.3	-0.8
GR	17.7	15.4	18.2	18.5	15.8	17.9	18.4	15.8	14.2	15.1	14.4	14.0	14.2	14.0	13.1	15.1	14.7	-3.6
E	15.8	16.0	16.9	16.5	13.4	13.9	13.5	13.8	13.9	12.3	14.5	14.4	13.9	12.6	12.1	12.9	12.2	-1.0
F	16.3	16.0	14.4	13.4	11.9	12.7	12.3	12.1	12.0	11.3	11.9	12.0	12.0	11.7	11.2	11.3	10.8	-1.3
IRL	17.2	17.0	13.9	14.6	12.7	14.9	13.6	12.4	11.9	11.8	11.2	11.7	11.9	11.8	12.1	11.8	11.9	-2.6
I	20.6	20.9	18.0	14.9	13.0	13.9	12.8	13.3	13.0	13.1	13.3	13.5	13.0	12.8	13.0	13.1	12.9	-0.6
L	8.6	10.4	9.8	10.3	9.5	10.0	9.7	9.6	9.3	9.3	9.4	9.4	9.3	9.3	9.3	9.2	9.2	-0.8
NL	12.2	10.5	8.8	8.6	7.8	7.8	8.6	7.8	7.4	7.5	7.7	7.3	7.4	7.7	7.6	7.5	7.4	-0.4
P	22.6	25.3	30.4	32.5	30.8	32.5	32.5	32.5	30.0	26.0	32.5	30.0	30.0	30.0	26.0	26.0	:	-6.5
UK	14.8	12.7	10.8	10.7	10.6	10.8	10.7	10.7	10.3	10.5	10.3	10.4	10.3	10.3	10.3	10.5	10.8	-0.2
EUR 12 (n)	15.2	14.5	13.0	12.3	10.9	11.5	11.3	11.1	10.7	10.5	10.9	10.9	10.7	10.5	10.4	10.5	(10.3)	(-0.8)
USA	12.9	12.2	10.8	12.0	10.8	11.2	11.8	10.4	10.7	9.6	10.5	10.6	10.7	10.6	10.1	9.6	9.5	-1.7
JAP	8.4	8.3	7.8	7.3	6.5	6.5	6.8	6.6	5.8	5.8	6.2	6.2	5.8	6.6	6.4	5.8	5.8	-0.5

TABLE A.8: Value of ECU 1 ECU = ... units of national currency or SDR

	Index 1981 = 100 (ECU = 16.66 units of national currency of SDU)																			Change over 12 months %(b)
	1981	1982	1983	1984	1985	1984					1985					1986				
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.			
<b>BFR/LFR</b>	41.29	44.68	45.44	45.44	44.91	45.01	44.66	45.12	45.13	44.74	45.05	45.04	44.82	44.67	44.73	44.51	44.27	-0.9		
<b>DKR</b>	7.92	8.15	8.13	8.15	8.02	8.04	7.96	8.05	8.07	7.99	8.06	8.07	8.02	7.99	7.96	7.98	7.98	0.2		
<b>DM</b>	2.51	2.38	2.27	2.24	2.23	2.23	2.23	2.24	2.23	2.20	2.23	2.23	2.21	2.21	2.19	2.18	2.16	-2.8		
<b>DR</b>	61.62	65.30	78.09	88.44	105.7	91.57	91.97	98.47	104.5	127.7	104.9	106.9	122.1	130.0	130.9	132.4	132.9	46.4		
<b>PTA</b>	102.7	107.6	127.5	126.6	129.1	124.7	123.1	126.4	131.0	135.8	130.9	132.4	135.2	135.9	136.2	136.3	136.2	10.9		
<b>FF</b>	6.04	6.43	6.77	6.87	6.80	6.84	6.81	6.83	6.81	6.73	6.80	6.79	6.74	6.73	6.71	6.68	6.64	-2.4		
<b>IRL</b>	0.691	0.690	0.715	0.726	0.715	0.719	0.715	0.716	0.716	0.714	0.715	0.716	0.715	0.714	0.712	0.715	0.715	0		
<b>LIT</b>	1263	1324	1350	1381	1447	1382	1382	1430	1484	1494	1493	1493	1493	1492	1496	1484	1472	7.0		
<b>HFL</b>	2.78	2.62	2.54	2.52	2.51	2.52	2.52	2.53	2.51	2.48	2.50	2.50	2.49	2.49	2.47	2.45	2.44	-3.0		
<b>ESC</b>	68.5	78.0	98.7	116.3	130.2	119.8	122.4	127.2	132.8	138.4	132.9	134.9	137.2	138.1	139.8	140.5	141.4	15.1		
<b>UKL</b>	0.553	0.561	0.587	0.591	0.589	0.601	0.614	0.578	0.570	0.595	0.576	0.576	0.588	0.592	0.604	0.626	0.649	5.3		
<b>USD</b>	1.116	0.981	0.890	0.789	0.762	0.731	0.684	0.726	0.785	0.853	0.798	0.785	0.837	0.852	0.873	0.891	0.928	37.3		
<b>YEN</b>	245.4	243.5	211.4	187.0	180.5	179.8	176.1	182.0	187.0	176.8	189.3	185.5	179.6	173.8	177.0	178.4	171.0	-2.7		
<b>DTS</b>	0.946	0.888	0.833	0.767	0.749	0.732	0.707	0.732	0.764	0.791	0.772	0.763	0.785	0.788	0.801	0.812	0.822	17.1		

TABLE A.9: Effective exchange rates: export aspect (p) — Percentage change on preceding period

	1984					1985					1986					Change over 12 months % (b)		
	1981	1982	1983	1984	1985	Percentage change on preceding period					1986							
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.		Jan.	Feb. 12 months
B/L	-5.8	-9.2	-2.8	-2.1	0.7	-0.3	0.1	0	1.0	1.6	0.9	-0.2	1.0	0.4	0.3	0.8	0.8	4.7
DK	-7.5	-4.4	-0.6	-3.2	0.8	0.4	0.3	0	1.1	2.4	1.1	-0.5	1.6	0.5	1.1	0.4	0.7	5.8
D	-5.6	5.0	4.0	-1.3	-0.2	-0.9	-0.7	1.0	2.1	2.9	2.0	-0.4	1.8	0.3	1.5	1.4	1.1	10.3
GR	-10.2	-8.0	-18.0	-14.0	-12.5	-4.2	-1.5	-4.9	-4.0	-17.2	-2.3	-2.3	-11.7	-6.0	0	-0.7	0	-27.2
E	-9.6	-6.0	-17.2	-2.2	-0.6	0.4	0.3	-0.9	-1.8	-2.2	-0.1	-1.5	-1.1	-0.3	0.5	0.5	0.5	-3.6
F	-8.8	-8.3	-7.2	-4.6	0.5	-0.8	-0.4	1.3	2.3	2.9	1.6	-0.2	1.8	0.4	1.1	1.0	1.1	10.1
IRL	-8.7	-1.1	-4.1	-4.0	0.6	0.4	0.1	-0.2	1.1	2.6	1.7	-0.5	1.7	0.4	1.3	0.8	1.4	7.1
I	-12.4	-6.9	-3.8	-5.4	-6.2	-1.5	-1.1	-1.9	-2.3	0.8	-1.2	-0.4	1.1	0.3	0.4	1.4	1.3	-0.7
NL	-4.3	5.1	2.1	-1.4	-0.2	-0.6	-0.8	0.7	1.9	2.3	1.7	-0.2	1.2	0.4	1.3	1.1	0.8	8.3
P	-3.8	-12.9	-21.1	-17.1	-10.9	-3.1	-2.9	-2.6	-2.9	-2.7	-0.9	-1.8	-0.7	-0.5	-0.5	0.1	-0.1	-7.8
UK	0.2	-4.4	-6.9	-4.6	0.2	-3.4	-3.6	9.1	3.6	-2.7	-2.0	-0.4	-1.0	-0.3	-1.3	-3.1	-3.3	3.0
ECU	-14.7	-5.8	-5.8	-8.0	-2.2	-3.3	-2.7	4.4	4.1	2.9	1.8	-1.0	2.2	0.3	1.7	1.1	0.8	16.1
USA	12.8	12.0	5.7	8.0	4.9	3.2	6.2	-3.4	-5.7	-6.8	-2.2	1.3	-5.4	-1.7	-1.3	-1.3	-3.7	-21.3
JAP	13.6	-5.0	10.8	6.2	1.4	1.3	-0.6	0.4	1.1	11.0	0.2	1.4	6.8	4.6	-0.4	0.4	6.5	22.5

Source: for Community countries: Eurostat, unless otherwise specified; for the USA and Japan: national sources.

(a) National sources, except for the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in methods of seasonal adjustment, the change in the EUR index, adjusted by Eurostat and given in Table 1 may differ from the change in the EUR index obtained by aggregating national indices. Data are adjusted for working days. They do not include building; data for France do not include food products and drinks.

## Principal economic policy measures — February 1986

### Community (EUR)

19.2 The President, Mr. Jacques Delors, presents the programme of the Commission for 1986 to the European Parliament.

4.3 The Commission publishes its Communication to the Council, 'The economic situation in the Community' (COM(86)114 final), prepared in accordance with Article 2 of the Council Decision of 18 February 1974 on convergence (see elsewhere in this issue).

### Belgium (B)

4.2 An agreement was reached between the Government and the Petroleum Federation on a technical amendment to the programme contract governing the setting of maximum prices for oil products. As a result, changes in market prices in both directions will feed through more rapidly and in amplified form into prices charged to the consumer.

### Denmark (DK)

None.

### Federal Republic of Germany (D)

None.

### Greece (GR)

22.1 The draft law on income tax and measures to combat tax avoidance was tabled in Parliament.

23.1 By decision of the Governor of the Bank of Greece, commercial banks were authorized to purchase Treasury bills to the extent of 4% of the funds deposited by them with the Bank of Greece in connection with the financing of productive investment.

27.1 The Ministry of Finance tables in Parliament the draft law instituting value added tax with effect from 1 January 1987. This tax will replace a number of existing indirect taxes. It will have three rates that will not be specified in the law until shortly before the date of its introduction.

5.2 According to the monetary programme for 1986 announced by the Minister for the National Economy, money supply M3 is expected to expand by 20%, compared with 26.8% in 1985. Foreign borrowing in dollars will be lower than last year. Owing to the improved level of self-financing and the issuing of shares by firms in difficulties, lending to the private sector is expected to grow by 15%, compared with 20% in 1985. Lending to the public sector will also be sharply reduced, to 13.2% of GDP, compared with 19.4% in 1985.

18.2 By decision of the Governor of the Bank of Greece, commercial banks were no longer required to comply with the credit ceilings imposed earlier in the case of commercial firms, up to 70% of the total cost; in the case of the self-employed, the ceiling on the purchase of equipment at the same rate of interest as that applicable to the financing of industry via working capital (21.5%).

### Spain (E)

3.1 Publication of the law on regional incentives designed to remedy imbalances within the country.

14.2 The Central Bank lowered from 10% to 9% the interest rate payable on deposits held with it by financial institutions under the cash-ratio requirements.

14.2 The Ministry of Industry and Energy raised the price of electricity by 9%.

### France (F)

1.2 The Minister for Economic and Financial Affairs decided on a number of measures for modernizing, simplifying and clarifying the policy on the issue and management of central government domestic debt. The purpose of the reform is twofold: (i) to reduce the cost to the public purse of central government indebtedness, and (ii) to improve the conditions under which calls on the bond market by the Treasury are inserted into the issue timetable. The Banque de France, which is already responsible for the material organization of tenders for Treasury bills, will also scrutinize tenders for state loans in place of the Caisse des Dépôts et Consignations.

### Ireland (IRL)

None.

### Italy (I)

20.2 The Government approved a decree law extending the scheme under which the central government helps with the burden of firms' social security contributions ('budgetization'). The decree law, which covers the period from 1 January to 30 June 1986, also provides for a reduction in the level of budgetization, from 7.52% to 6.85% in the case of the gross wage of male employees in firms in the North or Centre of the country and from 11.54% to 9.24% for female employees in the same regions. The reduction will not apply to firms in the Mezzogiorno, where the level of budgetization will remain unchanged, at 9.38% for men and 11.78% for women.

26.2 The 1986 Finance Law was adopted by Parliament, with the final vote being taken by the Chamber of Deputies at the fourth reading.

### Netherlands (NL)

14.2 The representatives of the Nederlandsche Bank (DNB) and of the banking sector agreed that the net creation of money should not exceed the 5.5%-6% range in 1986.

### Portugal (P)

14.2 The Government published a decree introducing financial aids for those between 18 and 25 who have been unemployed for one year or more and who set themselves up in business.

### United Kingdom (UK)

24.2 The Government announced an increase of 1.1% in social security benefits such as retirement pensions and supplementary benefit. The increase is in line with the rise in retail prices recorded in the 8-month period May 1985—January 1986. Payment of the higher benefit rates will commence in July; this represents an intermediate step in the bringing forward of the annual uprating from November to April.

### Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
'European Economy' (4 issues per year)	36.76	1 650	26.50	21.75	30	The annual subscription runs from 1 January to 31 December of each year.
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Series A — 'Economic trends' (11 issues per year)	12.26	550	8.75	7.25	11	Payments to be made only to the agents in the countries listed on page 3 of the cover of European Economy.
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Complete series of supplements	27.85	1 250	20	16.50	23	These are surface mail rates; for air subscription rates please apply to the agents
Combined subscription — 'European Economy' and supplements	49.01	2 200	35	29	40	



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CB-AS-86-003-EN-C